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SUBJECT: CHIRAC LAUNCHES INNOVATION AGENCY TO CREATE
"TOMORROW'S JOBS" AND "PRIORITY PROJECTS"

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¶11. Summary. President Jacques Chirac outlined on August 30 a new industrial innovation agency and research drive to encourage employment and prevent outsourcing. Spearheading his policy drive in favor of industrial innovation in the heart of the Champagne region, President Jacques Chirac inaugurated the first of 67 industrial clusters or "poles of competitiveness" to receive tax breaks and 1.5 billion Euros (USD 1.8 billion) in state support over the next three years (Reftel B). At the same time, he launched another pet project, the Agency for Industrial Innovation AII, which has a budget of one billion Euros USD 1.2 billion) to be distributed over the next three years to "priority" sectors such as energy, health, information society, and the environment (Reftel A). Chirac said that the AII had already identified a number of projects, including "the development of an Internet search engine." Chirac denied a return to French industrial policies of the 1970s, and emphasized that these new measures were part of a broader effort that involved specific projects as well as European partners. End Summary.

¶12. (SBU) During his policy presentation to French business leaders and scientists, Chirac said that "all the conditions are in place for France to go boldly on the offensive," particularly at a time of increased global competition for "technological supremacy." He added that innovation was essential to the creation of "highly qualified employment" and was the best response to outsourcing." However, he rejected any intention to reintroduce state interventionism or protectionism, which he stressed were now "a thing of the past." Instead, he said he wanted the new Agency for Industrial Innovation to "resist the tyranny of the sort-term" and focus on projects similar in scope to Airbus, Ariane or nuclear policy, but using the "instruments adapted to an open economy."

¶13. (SBU) At the same time, Chirac unveiled a new effort for the "renewal of research" through a 3 billion Euro budget over the next three years. These new resources will fund the new National Research Agency as well as the regional industrial clusters. Chirac further announced a new framework bill for research over the next few months as well as a new high Council for Science and Technology. As part of that bill, France will also create a new School of Economy to rival the best global institutions. These measures will be detailed in a framework bill on research to be presented in the coming weeks.

¶14. (SBU) Comment. Chirac's speech is a combination of already announced agencies and a grab bag of new measures. The heart of the message appears to be that Chirac is paving the way for the future by setting innovation, science and technology as the new domestic priority in France to remedy all current ills, from unemployment hovering at 10 around percent, to a record trade deficit in the first six months of 2005. Cynics may point out that Chirac's current high-tech drive is intended to take him through the 2007 Presidential campaign, as all government support is currently earmarked for 2006 and 2007. Small French businesses, for their part, fear that government aid will help France's largest industrial players.

¶15. (SBU) It is worth noting that Chirac directly addresses critics of his new industrial policy by pointing out that it does not signal a return to France's old "Colbertist" ways. He emphasized that these new measures were part of a broader -- and if not national, at least Europe-wide effort that involved the private sector, scientists and educators. Despite the confusion that prevails over the synergies between the various new agencies and their funding, the emphasis on these solutions is nevertheless fueling fears that the French Government may be attempting to create new champions. With memories of the Franco-German Sanofi and

Aventis merger still fresh, the GOF is moving forward rapidly to promote cooperative projects with other EU partners, beginning with Germany on the "European Google" project, all the while abiding by EU rules on state aid.

End Comment.

Stapleton